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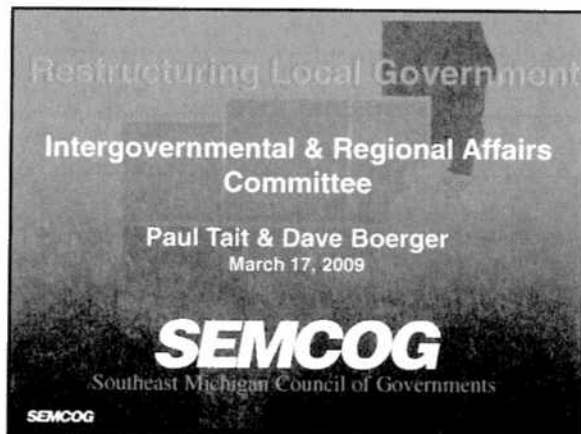
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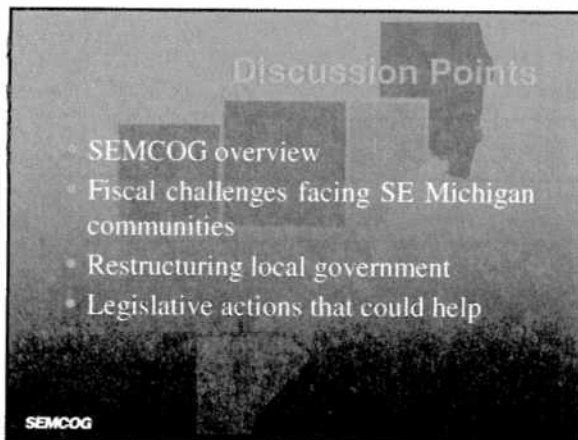
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## Government is About Serving the People

- Services only ensured through sustainable budget
- Local governments facing tough choices
- Maintain services most wanted by people and for those most in need
- SEMCOG helps 165 member govts.

SEMCOG

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## SEMCOG

- Promotes best use of taxpayer dollars on very expensive, long-life capital expenditures
  - Roads and bridges
  - Public transportation
  - Sewers
  - Water systems

SEMCOG

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## SEMCOG

- Works to improve our environment
  - Air quality
  - Water quality (Great Lakes)
  - Solid waste
  - Land use

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SEMCOG

- Seeks healthy, high quality-of-life communities
  - Community development
  - Economic development
  - Housing
  - A good mix of community amenities

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SEMCOG

- Solves multi-jurisdictional problems

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SEMCOG

- Promotes government efficiency
- Promotes intergovernmental cooperation in purchases and service provision
- Helps local governments make decisions on services they can afford to provide

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### Fiscal Challenges Facing Local Governments

- Poor economy reducing home prices
- Property, income tax collections down
- Energy, health care expenses up
- State revenue sharing flat (at best)

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### Fiscal Challenges Facing Local Governments, cont'd

- Fund balance returns tanked
- Municipal revenues shrinking
- 20-30% deficits projected, FYs 2009-10

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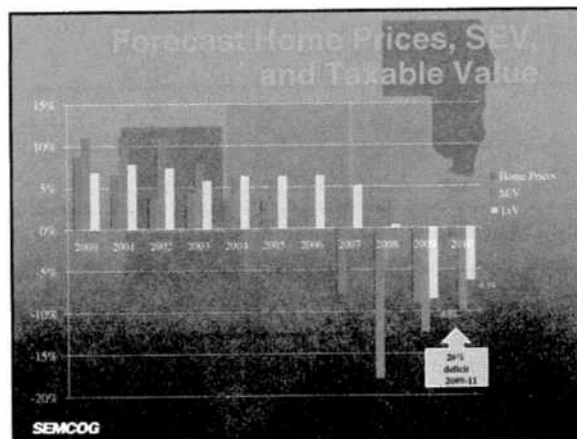
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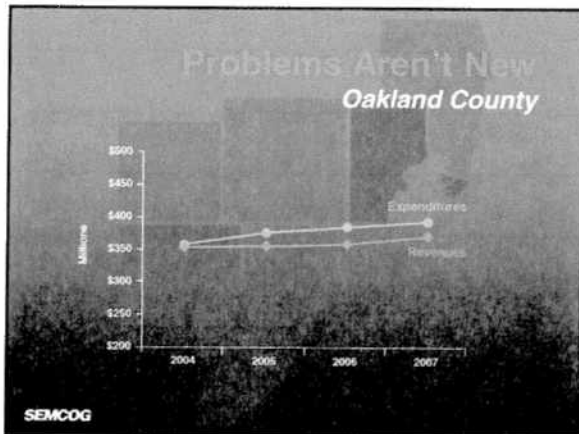
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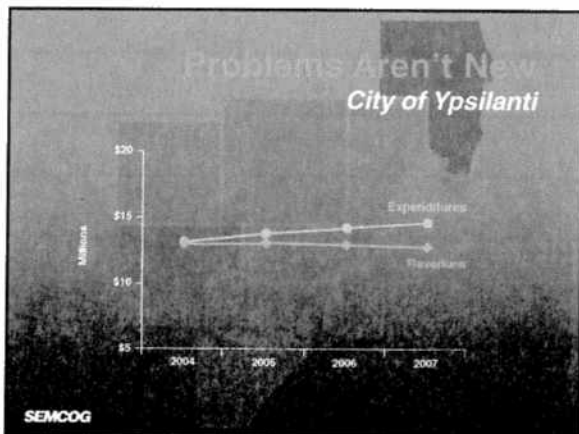
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### And it's Getting Worse

- Credit crunch continuing
- Stagflation (negative growth with rising costs)
- More auto restructuring risks

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And It's Getting Worse  
*cont'd*

- Further drop in housing prices
- Commercial real estate foreclosures
- State TxV restrictions if SEVs drop
- State revenue sharing losses
- Additional large deficits likely in 2010-12

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The Right Way to  
Restructure

- Develop multi-year financial forecast
- Engage stakeholders
- Develop aggressive cost-savings ideas
- Create detailed restructuring plan
- Pursue collaboration, consolidation, privatization

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The Right Way to  
Restructure, *cont'd*

- Close benchmarking gaps
- Assess service cuts in selective areas
- Reduce expenditures to match revenues over multiple years
- Provide steadfast leadership
- Avoid receivership

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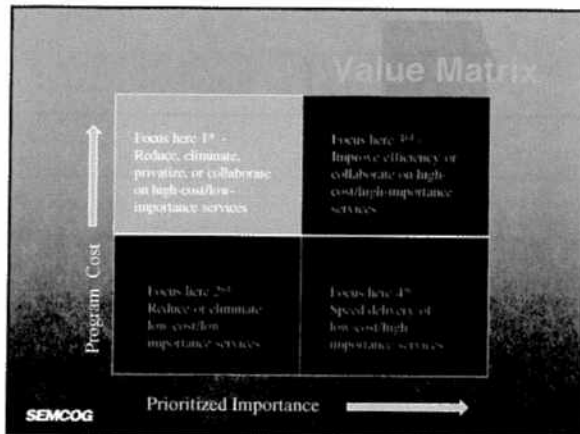
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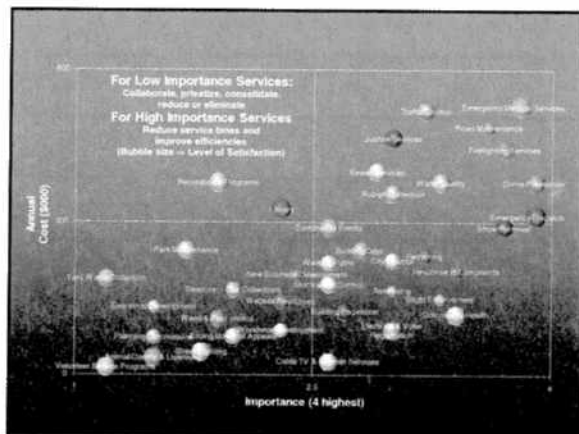
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### Benchmarking

- By type of service
- By staffing levels
- By salaries
- Results – Effective service,  
competitively paid staff...benefit  
costs are 50% higher than benchmarks

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## Deficit Reduction Opportunities

- Implement performance measurement process to gain 5%/year
- Apply 4-day/32-hour work week to save up to 20%
- Reduce, eliminate least important services to save 10%

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## Deficit Reduction Opportunities, cont'd

- Rebid all purchases to save 10%
- Privatize non-critical services to save 15% (managed competition)
- Consolidate departments, organization structure to save 15%
- Reduce non-competitive overhead, administration costs to save 30%

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## Deficit Reduction Opportunities, cont'd

- Re-open union contracts to reduce benefit costs 30%
- Sell revenue-producing assets for one-time cash infusion
- Restructure debt to extend terms, lower interest rates
- Collaborate with neighbors to save 30%

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### Successful Collaboration

250 examples in SEMCOG database

• Arts and Culture	• Public Safety
• Economic Development	• Fire
• Education	• Police
• Environmental	• Public Works
• Housing	• Parks & Recreation
• Joint Purchasing	• Senior
• Land Use	• Technology Services
• Neighborhood Revitalization	• Transportation
• Public Facilities	• Workforce Development
	• Library

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### Collaboration Doesn't Always Work

- The numbers don't work
- Timing isn't right
- Real and perceived loss of control and credit
- Fears about safety
- Real and perceived fairness in cost allocation

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### Collaboration Doesn't Always Work, *cont'd*

- Loss of community identity
- Cost savings not realized until future date
- Labor agreements/labor politics
- Lack of trust going in
- Time required to collaborate

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Collaboration Lessons Learned

- Neutral third party to facilitate
- 30% financial savings to justify efforts
- Written proposal to engage stakeholders
- Success unlikely if no progress after three months

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Collaboration Lessons Learned, cont'd

- Collaboration process can be very labor intensive
- Defer legal involvement until end
- Steadfast leadership is key
- 250 successful case studies in SEMCOG database

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Potential Legislative Actions

- Revenue sharing
- Property taxes
- Collaboration
- Local option taxes
- Benefit costs
- Transportation finance

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### Potential Legislative Actions, cont'd

- Mandated expenditures
- Arbitration
- Incarceration
  - Sentencing
  - Mentally ill
- Telecommunications

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### Final Thoughts

*Local government can survive current fiscal crisis by*

- Pursuing efficiency, productivity improvement, measurement process
- Resizing, restructuring by collaborating, consolidating, privatizing, reducing service
- Having full support of State Legislature and orgs like SEMCOG

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### Progress on Rapid Transit

- Ann Arbor-Detroit Commuter Rail
- Washtenaw-Livingston Commuter Rail
- New Center to Detroit River Woodward Trolley (M1 Rail)
- Bus Rapid Transit

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For Additional Information

Paul Tait  
313-961-4266  
Dave Boerger  
248-875-7120

**SEMCOG**  
Southeast Michigan Council of Governments  
535 Griswold St., Suite 300  
Detroit, MI 48226  
www.semco.org

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